



Retirement Plan

*Directions*

 **CHEMICAL**

Retirement Plan

**THE RETIREMENT PLAN** is provided by Chemical — at no cost to you — to help you prepare for a financially secure retirement. The Retirement Plan has two benefit components: a Cash Balance feature and a Final Pay feature; which when combined with your Savings Incentive Plan and Social Security benefits as well as any personal savings, can help you maintain a comfortable lifestyle when you retire. It can also provide benefits to your survivors in the event of your death.

If you have questions about the Retirement Plan that aren't covered in this section, contact:

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## The Retirement Plan

**C**hemical's Retirement Plan is actually a combination of two benefits — one is known as a "Cash Balance" benefit, the other is a "Final Pay" benefit. These two benefits combine to provide a solid base of retirement income. Your Cash Balance benefit not only grows based on your salary throughout your career, it also increases through credits allocated to your account balance as your service with Chemical increases. Your Final Pay benefit takes advantage of your years of service and earnings with Chemical and bases your retirement benefit on your final average salary in the years before you retire.

### QUICK FACTS

<b>PLAN EFFECTIVE DATE</b>	January 1, 1993
<b>ELIGIBILITY</b>	After one year of service, provided you are a salaried staff member on the U.S. payroll, employed by a participating company, and regularly scheduled to work 20 hours or more per week.
<b>PARTICIPATION</b>	Automatic after one year of service.
<b>VESTING</b>	100% after five years of service. (Generally, service earned with Chemical or Manufacturers Hanover before January 1, 1993 is included.)
<b>BENEFIT BASED ON</b>	<p><b>Cash Balance.</b> The amount you accumulate as an "account balance," from the time you begin participating to the time you leave Chemical. Your account balance grows in two ways:</p> <ul style="list-style-type: none"> <li>■ Through "salary credits" provided as a percentage of your pay; and</li> <li>■ Through "interest credits" added to your account balance quarterly.</li> </ul> <p>and</p> <p><b>Final Pay.</b> Your age and years of service at retirement, and your average pay during the five highest consecutive earning years in your last ten years of service under the Plan.</p> <p><i>(continued on next page)</i></p>

**Quick Facts** *(continued)*

**BENEFITS**      **Cash Balance:** When employment ends, if you are vested.  
**ARE PAYABLE**   **Final Pay:** As early as age 55 with 10 or more years of service.  
**COSTS**            Chemical pays the full cost of your Retirement Plan benefits.

## Participating in the Plan

### Who Is Eligible

#### Eligibility

- Salaried staff
- U.S. payroll
- 20+ hours per week
- 1 or more years of service

Participation in the Retirement Plan is automatic. You are eligible to participate if you:

- Are a salaried staff member (i.e., regularly scheduled to work 20 hours or more per week);
- Are on the U.S. dollar payroll;
- Are employed by a participating company (see "Participating Companies" on page 6 of the *Your Rights* section); and
- Have completed one year of service with Chemical or one of its affiliates. (See "Facts About Service" on page 3.)

### When Participation Begins

When you complete one year of service, you will automatically become a Plan participant on the first of the month after your one-year anniversary date. (If your anniversary falls on the first of a month, your participation begins that day.) There's no need for you to enroll.

### Paying for Benefits

You pay nothing for your Retirement Plan benefits. Chemical and its affiliates that participate in the Plan make all the necessary contributions.

**You keep any benefits earned under the Chemical or Manufacturers Hanover Retirement Plans before their merger.**

#### **What if I had earned a retirement benefit at Chemical or Manufacturers Hanover before their Retirement Plans were merged?**

If you had earned a retirement benefit under either the Chemical or Manufacturers Hanover Retirement Plans before their merger, *then the benefit you earned up through December 31, 1992 under those plans will be preserved for you.* Beginning January 1, 1993, the new Retirement Plan provides retirement benefits *in addition to* certain of those benefits already earned.

## *Facts About Service*

There are two different ways of counting *service* under the Plan — years of service and benefit service.

### **YEARS OF SERVICE**

Years of service are used to determine your eligibility to participate in the Retirement Plan, your vested rights, and the percentage of salary credited as a benefit under the Cash Balance portion of the Plan. Generally:

- You're credited with one year of service for each year of work, starting on the day you begin work.
- You stop earning years of service on the day you stop working for Chemical or one of its affiliates.

If you worked for Chemical or Manufacturers Hanover before their merger, all cumulative service with *either* counts toward years of service when determining eligibility and vesting. For additional information see "Breaks in Service" on page 23. However, only years of service with the Company that employed you on the merger date, December 31, 1991, will count when determining the percentage of salary credited each quarter to your Cash Balance benefit.

### **BENEFIT SERVICE**

Benefit service begins the later of January 1, 1993 or the date you become a participant in the Retirement Plan. Benefit service is used to calculate your Final Pay benefit. You earn benefit service only if you are working for a company participating in the Plan. Generally:

- After you complete one year of service, you're credited with one year of benefit service for each additional year you work for a participating company.
- Partial years of benefit service are credited on the basis of one full calendar month for any month worked. You receive credit for a month if you work any day in that month.
- You stop earning benefit service as of the last day of the month you stop working for a company participating in the Plan.



If you worked for Manufacturers Hanover before its merger with Chemical, certain benefits earned under the prior Manufacturers Hanover Retirement Plan (as a participant in that Plan) are also included in your Final Pay benefit. Employees of Chemical (participating in the former Cash Plan) before the merger do not receive credit toward benefit service for any service before January 1, 1993; instead they may have a separate benefit earned under the prior Cash Plan.

In certain cases, your years of service and benefit service may be adjusted to reflect your service with a company acquired by Chemical. At the time of termination or retirement, provisions of any pertinent acquisition agreements will be taken into account in the calculation of your benefit.

## *How Your Benefit Is Calculated*

**The Retirement Plan features both a "Cash Balance" and a "Final Pay" benefit.**

Chemical's Retirement Plan is really a combination of two benefits:

- A "Cash Balance" benefit; and
- A "Final Pay" benefit.

Combined, these two benefits provide a solid source of income during your retirement years. Here's a closer look at each of these two benefits.

### **THE CASH BALANCE BENEFIT**

**Your Cash Balance account grows in value through salary credits and interest credits.**

Your Cash Balance benefit under this portion of the Plan is determined as if you had an "account balance" representing your earned benefit. (You don't have an actual individual account under the Retirement Plan; it is simply a way of calculating your Cash Balance benefit.)

Your Cash Balance benefit grows throughout your career in two ways:

- *Through Salary Credits* — credited quarterly to your account balance. These credits are determined as a percentage of your eligible salary, based on your years of service.
- *Through Interest Credits* — credited quarterly to your account balance, in addition to your salary credits.

**As your service with Chemical increases, so does the percentage of pay used to determine your salary credits.**

**ELIGIBLE SALARY** is your base pay (including any shift differential) while an active participant, not reduced by any before-tax contributions. Eligible salary does not include any extra payments such as incentive pay, overtime, bonuses, commissions, severance, lump sum vacation at termination or retirement, or similar payments to you. Beginning in 1994, the eligible salary limit is \$150,000 subject to indexing periodically. Benefits accrued through 1993 are not affected by this new limit. You'll be provided with additional information if you're affected by this limit.

**Salary credits**, the first component of your Cash Balance benefit, help build your account balance over time. Each year beginning in 1993, Chemical will allocate to your account balance 4%, 5%, or 6% of the eligible salary you received during the quarter, based on your years of service. (See page 3 for "Facts About Service.") These allocations are called "salary credits" and are credited quarterly. The amount Chemical credits to your account balance is subject to an Internal Revenue Service (IRS) maximum. During your career, the salary credits to your Cash Balance grow, because:

- The percentage of eligible salary used to figure your allocation increases as your service increases; and
- As your eligible salary increases over time, so also does the amount allocated to your account balance.

The chart below shows how the percentage allocated increases with your years of service.

<b>COMPLETED YEARS OF SERVICE</b>	<b>PERCENT OF ELIGIBLE SALARY CREDITED TO ACCOUNT</b>
1-10 years	4%
11-20 years	5%
21 years or more	6%

You become eligible for an increase in the percentage used to determine salary credits allocated to your account as of the first day of the quarter after you complete the number of years of service required. If you meet the service requirement as of the first day of the quarter, you become eligible for the higher percentage as of that quarter.

**Interest credits are another source of growth for your account balance.**

*Interest credits*, the second component of your Cash Balance benefit, are also allocated to your account balance quarterly. These credits combine with salary credits to increase the value of your account balance.

The minimum annual rate for interest credits is based on the average rate for one-year U.S. Treasury bills (T-bills) for September, October, and November of the previous year. The maximum rate is 15%. Chemical will adjust the rate annually and announce the rate before the start of the next Plan year. For 1993, the rate was 5.4% for the year, which was 2% higher than the average T-bill rate.

This rate is applied to your account balance as of the end of the previous quarter. For example, the interest credits allocated as of June 30 would be calculated by multiplying your account balance on March 31 by one quarter of the interest rate for the year (adjusted for compounding).

Prior service balances (established for service prior to 1989 when the former Chemical Cash Plan was introduced) will receive interest credits at a rate equal to 125% of the regular interest rate. Therefore, the interest credit rate for your prior service balance was 6.8% for 1993, or 1.66% quarterly.

#### **EXAMPLES OF THE CASH BALANCE BENEFIT**

In the examples that follow, we have assumed "level pay" (that is, no pay increases) in the future. In fact, if your pay increases your benefit will also be greater.

**Example 1.** This staff member is age 24 when he joins Chemical on January 11, 1993. He becomes eligible to join the Plan on February 1, 1994 after one year of service. Let's suppose he earns \$24,000 a year.

In his first year of Plan participation, he would receive *salary credits* equal to 4% of his eligible salary for the quarter. *Interest credits* would be based on the account balance at the beginning of the quarter and the interest rate in effect for the year (in this example, we've used an interest assumption of 4% annually; actual interest rates could well be different). As you will see from this example, eligible salary for any calendar quarter in which a staff member becomes a participant will be prorated.

Based on these assumptions, here is a snapshot of this staff member's account balance.

	<u>BALANCE AT BEGINNING OF QUARTER</u>	<u>SALARY CREDITS</u>	<u>INTEREST CREDITS</u>	<u>TOTAL</u>
After the first quarter	\$ 0	\$160.00	\$0	\$ 160.00
After the second quarter	\$160.00	\$240.00	\$1.58	\$ 401.58
After ten years	—	—	—	\$ 11,945.83
At age 65*	—	—	—	\$119,288.37

\*As of January 1 of the year after the participant's birthday.

*Example 2.* This staff member is 40 years old and, as of January 1, 1993, has worked with Chemical for twelve years. She has a prior service balance (based on service with Chemical before 1989, when the former Cash Plan was introduced) of \$8,097.95 as of January 1, 1993. Her account balance as of January 1, 1993 (when the plans merged) was \$19,322.98. This employee earns \$45,000 a year.

Based on her service, the staff member in this example would receive *salary credits* to her account balance at the rate of 5% of eligible salary, plus *interest credits* based on the rate in effect each year (for this example, we've used 5.4% for 1993, and 4% for all future years). Interest credits on the staff member's prior service balance are 125% of the annual rate: 6.8% for 1993 and 5% for other years.

Based on these assumptions, here is a snapshot of this staff member's account balance.

	<u>BALANCE AT BEGINNING OF QUARTER</u>	<u>PRIOR SERVICE INTEREST CREDITS</u>	<u>SALARY CREDITS</u>	<u>INTEREST CREDITS</u>	<u>TOTAL</u>
After the first quarter	\$19,322.98	\$134.43	\$562.50	\$148.17	\$ 20,168.08
After the second quarter	\$20,168.08	\$136.66	\$562.50	\$157.55	\$ 21,024.79
After ten years	—	—	—	—	\$ 59,494.47
At age 60*	—	—	—	—	\$129,070.32

\*As of January 1 of the year after the participant's birthday.

**Example 3.** Our third staff member is 51 years old and had 23 years of service under the old Manufacturers Hanover Retirement Plan. This employee earns \$52,000 a year.

Remember that service with the employer (i.e., Chemical or Manufacturers Hanover) that employed you as of the date of the merger, December 31, 1991, counts in determining the percent of salary used to allocate *salary credits*. So this staff member would receive salary credits equal to 6% of his eligible salary, plus *interest credits* (assuming an annual rate of 5.4% for 1993, and 4% for future years; actual interest rates could well be different).

Based on these assumptions, here is a snapshot of this staff member's account balance.

	<u>BALANCE AT BEGINNING OF QUARTER</u>	<u>SALARY CREDITS</u>	<u>INTEREST CREDITS</u>	<u>TOTAL</u>
After the first quarter	\$ 0	\$780.00	\$ 0	\$ 780.00
After the second quarter	\$780.00	\$780.00	\$10.30	\$ 1,570.30
At age 55*	—	—	—	\$17,176.50

\*As of January 1 of the year after the participant's birthday.

#### STATEMENTS OF YOUR CASH BALANCE BENEFIT

You will receive a statement twice each year showing the "account balance," which is your earned benefit under this portion of the Plan. With this information, you can see how salary credits and interest credits are adding up.

#### THE FINAL PAY BENEFIT

In addition to your Cash Balance benefit, the Final Pay benefit provides you with a monthly payment beginning the first of the month after you retire. This monthly benefit continues as long as you live. Factors that determine your Final Pay benefit include:

- The age at which you retire;
- Your years of benefit service at retirement; and
- Your final average salary, which is the average of your five highest consecutive years of eligible salary during your last ten years of service under the Plan.

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**BENEFIT SERVICE** is the type of service that's used to calculate your Final Pay benefit under the Plan. *After you complete one year of service* and are a participant, you're credited with one year of benefit service for each year you work for a participating company, starting on the first of the month coinciding with or following your one-year anniversary.

**The Final Pay benefit takes into account that most people earn their highest salaries in the years just before retirement.**

Most people earn their highest salaries in the years just before they retire. The Final Pay benefit takes advantage of this by basing your benefit on your "final average salary."

**FINAL AVERAGE SALARY** is the average of your five highest consecutive years of eligible salary during the last ten years of service under the Plan. This average can include eligible salary earned during service with either Chemical or Manufacturers Hanover prior to 1993.

When your benefit is calculated, your last ten years of eligible salary under the Plan will be considered. Then, the five consecutive years in which your eligible salary was highest will be averaged to calculate your final average salary.

The Final Pay benefit payable to you at age 65 is determined by multiplying your total benefit service after December 31, 1992 by 1%, times your final average salary. Any Final Pay benefits earned prior to January 1, 1993 by former participants in the Manufacturers Hanover Retirement Plan will also be included. See "Preserving Your Prior Benefit" on page 11.

Your Final Pay benefit is in addition to, and is not affected by, your Cash Balance benefit.

**EXAMPLES OF THE FINAL  
PAY BENEFIT**

**Example 1.** This staff member is married, joined Chemical on February 1, 1993, retires at age 65 with 31 years of service, and has a final average salary of \$40,000. This staff member's Final Pay benefit under the Retirement Plan would be calculated this way:

- 31 years of service
- 30 years of benefit service
- $30 \times 1\% = 30\%$
- $\$40,000 \times 30\% = \$12,000$  per year
- $\$12,000 \div 12 \text{ months} = \$1,000$  per month
- $\$1,000 \times 90\% = \$900$  per month

In this example, the benefit would be a monthly 50% joint and survivor annuity of \$900, paid to the individual for the rest of his life. If he should die before his spouse, his eligible surviving spouse would receive 50% of this reduced benefit, or \$450 per month, for her lifetime. In addition, he would receive a Cash Balance benefit.

**Example 2.** This second staff member is unmarried and joined Chemical on July 1, 1988 at the age of 24. She retires on June 30, 2024 at age 60, and her final average salary is \$50,000. Under the Final Pay portion of the Plan, she receives credit for benefit service beginning January 1, 1993. As a result, here is how her Final Pay benefit would be calculated:

- 31.5 years of benefit service
- $31.5 \times 1\% = 31.5\%$
- $\$50,000 \times 31.5\% = \$15,750$  per year
- $\$15,750 \div 12 \text{ months} = \$1,312.50$  per month

Of course, she will also have a benefit earned before 1993 under the prior Cash Plan, which would be in addition to this Final Pay benefit and any benefits earned under the new Cash Balance portion of the Plan.

See "Preserving Your Prior Benefit" on page 11 for an example of how a former Manufacturers Hanover Retirement Plan participant would be affected.

## PRESERVING YOUR PRIOR BENEFIT

***If You Participated in the Chemical Cash Plan.*** If you participated in the former Chemical Cash Plan, your benefit may be made up of three pieces: a prior service balance (for service before 1989, when the Cash Plan was introduced); the benefit you earned between 1989 and 1993 (when the new plan was introduced); and your benefit going forward, which is described elsewhere in this section.

- On your *prior service balance*, the Plan allocates interest credits at 125% of the interest rate in effect for the year. For example, in 1993 interest credits were allocated at a rate of 5.4%; so interest credits on prior service balances were allocated at a rate of 6.8%.

This increased rate also applies to your prior service balance while you are on a leave of absence or receiving benefits from the Chemical Long-Term Disability Plan. However, if you terminate employment, your prior balance will no longer earn interest credits at the increased rate.

- Benefits earned from 1989 on, are credited with interest credits at the rate announced at the beginning of each year.

***Minimum Benefit.*** If you were participating in the Chemical Retirement Plan on December 31, 1990, you will be entitled to the greater of your Cash Plan benefit or your minimum benefit. Your minimum benefit will equal your accrued benefit under the former Chemical Retirement Plan as of December 31, 1990. It is important to note that your minimum benefit cannot be determined precisely until you leave Chemical since your *actual age* at your termination date is a factor in determining your minimum benefit.

If you were participating in the Texas Commerce Bancshares (TCB) Retirement Plan on December 31, 1987 or the Horizon Bancorp Retirement Plan on December 31, 1989, your minimum benefit from the Cash Plan will equal the accrued benefit you had earned under your predecessor's plan as of the Plan merger date or your accrued benefit under the Chemical Retirement Plan as of December 31, 1990 — whichever is greater.

***If You Participated in the Manufacturers Hanover Retirement Plan.*** If you participated in the Manufacturers Hanover Retirement Plan, you will receive a benefit in addition to the Final Pay benefit earned after December 31, 1992 (see page 8). This additional benefit will be based on your benefit service as determined under the prior plan rules through December 31, 1992, but will take into account salary both before and after December 31, 1992.



The benefit is based on the former Manufacturers Hanover Retirement Plan formula (referred to as the 1.25% + 0.75% formula):

- 1.25% of your final average salary for each of the first 20 years you participated in the plan through December 31, 1992

plus

- 0.75% of your final average salary for each of the next 20 years you participated in the plan through December 31, 1992.

**Example.** Let's assume this staff member joined Manufacturers Hanover on July 1, 1988 at age 24, and retires on June 30, 2024 at age 60, with a final average salary of \$50,000. This is how her Final Pay benefit would be calculated:

- 3.5 years of benefit service under prior plan
- $3.5 \times 1.25\% = 4.375\%$
- 31.5 years of benefit service under Final Pay portion of new Plan
- $31.5 \times 1\% = 31.5\%$
- $4.375\% + 31.5\% = 35.875\%$
- $\$50,000 \times 35.875\% = \$17,937.50$  per year
- $\$17,937.50 \div 12 \text{ months} = \$1,494.79$  per month

This benefit would be in addition to benefits earned under the Cash Balance portion of the new Plan.

If you were hired before January 1, 1985 and are eligible for the grandfather benefit in effect then, you will receive the greater of:

- Your benefit under the Manufacturers Hanover Retirement Plan using the 1.25% + 0.75% formula through December 31, 1992. This formula takes into account post-1992 salary increases; or
- The benefit earned under the formula in effect before 1985, frozen as of December 31, 1992 less the annuity value of your Flexible Retirement Account (FRA). This means your benefit service and final average salary are frozen as of December 31, 1992 and are based on prior plan rules.

The benefits earned through December 31, 1992 under the Manufacturers Hanover Retirement Plan will become the minimum benefit under the Final Pay portion of the Plan. Your benefit will never be less than what you had earned as of that date under the formula relevant to you.

#### **EARNING A RIGHT TO YOUR BENEFIT (VESTING)**

### *When You Leave Chemical*

Generally, you earn a full (100%) right to receive a benefit from the Retirement Plan once you have completed five years of service.

Any service you earned at Chemical or Manufacturers Hanover through December 31, 1992 will be counted toward the service you need for vesting under the new Plan. (For more information on service, see "Facts About Service" on page 3.)

**Special Situations Affecting Vesting.** Special rules for vesting may come into play under limited circumstances if your service with Chemical ends involuntarily because of the permanent and complete closing of a location, a reduction in force, corporate downsizing, or job elimination. If you are affected, you will be provided with more information.

### *How and When Benefits May Be Paid*

You will receive a benefit from the Retirement Plan if you are fully vested — that is, have five years or more of service — when you leave Chemical.

- If the vested value of your Cash Balance benefit plus the present value of your Final Pay benefit, expressed as a single sum, is \$3,500 or less, your entire retirement benefit will be paid immediately as a single sum. You may not defer your benefit or choose a payment option.
- If you are at least age 65 when you leave Chemical or one of its affiliates, you must immediately begin receiving payment (but you may choose a payment option, if the total value of your benefit is more than \$3,500).

## **YOUR BENEFIT UNDER THE CASH BALANCE FORMULA**

**Provided you have five years of service, you can immediately take your Cash Balance benefit as a single sum when you leave.**

Under the *Cash Balance* portion of the Retirement Plan, you may receive your benefit whenever you leave Chemical, provided you are vested — that is, you have at least five years of service.

Here are some key points to remember about receiving your Cash Balance benefit:

- You may take your Cash Balance benefit immediately — you do not need to wait until age 65.
- If the total present value of your benefit (Cash Balance plus Final Pay) is more than \$3,500, you also have the option of deferring receipt of your Cash Balance benefit until you reach age 65. If you choose to defer, you can also request that your benefit begin before age 65.
- If you have a prior service balance (established when the former Chemical Cash Plan was introduced in 1989), and you defer receiving your benefit, your prior service balance will no longer earn interest credits equal to 125% of the regular interest credit rate. Instead, the prior service balance will earn the same interest credits as the rest of your Cash Balance benefit, for the time the benefit is deferred.

Payment options (that is, the forms in which you can choose to have your benefit paid) are described under “How You Can Receive Payments” on page 16.

## **YOUR BENEFIT UNDER THE FINAL PAY FORMULA**

**You may receive benefits sooner than your normal retirement date.**

Once you are vested — that is, once you have five years of service — you may receive Final Pay benefits at “normal retirement age.” Your normal retirement age is the later of:

- Your 65th birthday if you have five years of service on that date; or
- Your fifth year of service.

You may also receive Final Pay benefits earlier or later than your normal retirement age as described in the chart on the next page. Your Final Pay benefit may be paid under several different payment options described under “How You Can Receive Payments” on page 16.

Retiree - 55 / 15 continuous service  
 pension eligible 55 + 10 years  
 vested term 5 yrs

The following chart describes when you may receive Final Pay benefits under different circumstances.

An Overview of Final Pay Benefits		
AGE WHEN YOU LEAVE	YEARS OF SERVICE	PLAN PROVISIONS
Age 65 or older	At least five	You will immediately begin to receive your benefit.
Age 55 through age 64	At least ten	The Plan provides a retirement subsidy that allows you to receive unreduced payments at age 60, or reduced payments as early as age 55. If payments are received before age 60, the amount of each payment will be reduced by .5% for each month that payments start before age 60.
Less than age 55	At least ten	You may begin receiving payments as early as age 55. The amount of each payment will be reduced .625% for each month that payments start before age 65.
Less than age 65	More than five but less than ten	Your benefit will begin at age 65.

Final Pay benefits begin as of the first of the month *following* the date you reach the age indicated in this section. Any applicable reductions are also calculated as of this date.

#### MANDATORY DISTRIBUTIONS

As required by law, you must begin receiving benefits from the Retirement Plan by April 1st of the year following the year you reach age 70½ — even if you are still actively employed at that time. You will be contacted directly by the Retirement Unit of Corporate Human Resources if you are affected.

## How You Can Receive Payments

**Both the Cash Balance and Final Pay benefits feature several payment options.**

When you become eligible to receive a payment, you can make separate elections regarding how your Cash Balance and Final Pay benefits are paid. If you do not make a written election, payment will be made in the *normal form* indicated in the descriptions that follow.

Some payment forms provide for reduced payments during your lifetime, with continuing payments to a beneficiary after your death. If your beneficiary dies after your payments start but before you die, the option you selected remains in effect and you continue to receive your benefits for life. In this case, no benefits are paid to anyone else after your death. However, if you select an option to continue income to someone following your death and that person dies before your payments start, the option is cancelled and you can make new elections.

- **50% Joint and Survivor Annuity** — this is the normal form of payment that applies for both the Cash Balance benefit and the Final Pay benefit, if you are married when you begin to receive your benefit.

Under this option, you receive a reduced benefit for your lifetime. If you die before your spouse, your surviving spouse will continue to receive 50% of your reduced benefit. *If you're married and want to receive your benefit in any other form, the law requires that your spouse must sign a notarized statement giving permission.*

**JOINT ANNUITANT.** Under a Joint and Survivor Annuity payment option, this is the person you name to receive benefits for the remainder of his or her lifetime, following your death.

- **Increasing Annuity** — this is the normal form of payment for your Cash Balance benefit if you are single. Monthly payments are made to you for life and the amount of the payments increase annually. You may receive only your Cash Balance benefit, not your Final Pay benefit, in this form.
- **Straight Life Annuity** — this is the normal form of payment that applies to your Final Pay benefit if you are single when you receive your benefit. Under this option, you will automatically receive full monthly benefits for your lifetime. After you die, no further payments will be made.

Instead of receiving the normal form of payment at retirement, you can elect one of the following optional forms of payment. As with all optional payment forms, your spouse must provide written, notarized consent to your election.

- **40% Joint and Survivor Annuity** — like the 50% Joint and Survivor Annuity, this form provides reduced payments during your lifetime and, at your death, continues payments to your spouse or beneficiary for his or her lifetime. Payments to your spouse or beneficiary equal 40% of the amount you were receiving while alive. Monthly payments to you are reduced under this form because payments continue even after your death.
- **Additional Joint and Survivor Annuity** — you can choose the 50% Joint and Survivor Annuity up to a 100% Joint and Survivor Annuity as an optional payment form and name anyone as your joint annuitant (including your spouse).
- **Single Sum** — this option is only available for your Cash Balance benefit; you may request to receive the full balance of your account when you leave Chemical. *You may also receive your Final Pay benefit in this form only if the monthly amount of your benefit payable at age 65 is \$100 or less.*
- **Level Income Option** — this form is available if you begin receiving monthly payments before age 62 — the earliest age at which you can begin receiving Social Security benefits. The Level Income Option provides higher monthly payments to you before you reach age 62; then reduced payments when Social Security payments begin at age 62. Benefits from the Plan are reduced so that your total retirement income stays approximately level.

Please Note: If you have elected a Joint and Survivor Annuity, only *your benefit* is eligible for the Level Income Option. In the event of your death, your joint annuitant's benefit will be based on the form of payment you elected before taking the Level Income Option into account.

You will receive more detailed information about these payment options and the forms you need to make your elections, when you become eligible to receive a benefit payment from the Retirement Plan.

## *If You Become Disabled*

**Under the Retirement Plan, you'll continue to earn Cash Balance and Final Pay benefits if you qualify for Long-Term Disability benefits.**

If you receive benefits from Chemical's Long-Term Disability (LTD) Plan, in most instances you'll continue to earn a benefit under the Retirement Plan. Generally, you will be credited with years of service for eligibility and vesting while you receive benefits from the LTD Plan.

- Under the Cash Balance portion of the Plan, your Cash Balance benefit will continue to earn salary credits each year, based on your eligible salary at the time you became disabled. You will also continue to earn interest credits. On the other hand, you may choose to take your accrued benefit.
- Under the Final Pay portion of the Plan, you will continue to earn additional years of benefit service (which determines the amount of your benefit). Your eligible salary at the time your disability began will also be used to calculate this portion of your benefit.

Benefits from the Cash Balance portion of the Plan can begin any time. Generally, benefits from the Final Pay portion of the Retirement Plan can begin at age 65. However, if you are eligible and elect to receive *any* portion of your Retirement Plan benefit, all accruals under the Cash Balance portion and under the Final Pay portion will immediately cease. You should carefully consider the advisability of such an election prior to the date LTD benefits cease.

## *If You Die and Are Fully Vested*

**UNDER THE CASH BALANCE BENEFIT**

If you die as an active Chemical staff member and are fully vested (having had five years of service), your spouse or beneficiary will receive your entire Cash Balance benefit. Your spouse will have a number of payment options, including:

- A single sum distribution;
- A monthly Straight Life Annuity; or
- The option to defer receiving a benefit.

If you are unmarried or have named a beneficiary other than your spouse, your beneficiary will be paid in the form of a single sum.

**NAMING A BENEFICIARY**

When you are hired, you will be asked to name a beneficiary for the Cash Balance portion of your benefit. A beneficiary is the person (or persons) you name to receive benefits from the Plan if you die. By law, if you are married and name someone other than your spouse as your beneficiary, you will need to have your spouse sign a special consent form which must be notarized. If you are divorced or legally separated pursuant to a court order, you may name any beneficiary you wish, unless otherwise stipulated by a court order.

It's a good idea to review your beneficiary designation whenever your situation changes — for example, if you marry or divorce or if you have a child. You can change your beneficiary at any time by completing a new beneficiary designation form which can be obtained from your local Human Resources Representative or the Retirement Unit of Corporate Human Resources.

If you are not married and do not name a beneficiary for your Cash Balance benefit or if your beneficiary dies before you and you do not name another beneficiary, Cash Balance benefits will be paid to your estate.

Be sure to keep a copy of the form for your own records, so you always have an up-to-date copy of your beneficiary designation with other personal papers.

**UNDER THE FINAL PAY BENEFIT**

If you die and have a vested benefit (having had five years of service), that benefit is paid to your spouse *if you have been married for at least one year*. The payment options available to your spouse will depend on your age and service with Chemical at the time of your death as described below.

- If at the time of your death you were an active Chemical staff member, at least age 55 with 10 or more years of service, your spouse will receive a 50% Survivor Annuity providing reduced payments. These payments can begin as early as the first of the month following your death, subject to actuarial reductions of .5% for each month benefits commence prior to the date you would have been age 60.
- If at the time of your death you had 10 or more years of service, your spouse will receive a 50% Survivor Annuity providing reduced payments. These payments can begin as early as the first of the month following the later of the date you would have been age 55 or the date of your death, subject to actuarial reduction of .625% for each month benefits commence prior to age 65.

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- If at the time of your death you were not an active Chemical staff member or had less than 10 years of service, your spouse will receive a 50% Survivor Annuity providing a monthly payment beginning on the first of the month following the date you would have been age 65.

If you have not been married for at least one year at the time of your death, and you die before receiving benefits, no Final Pay benefit will be payable.

#### **IF YOU ARE NOT FULLY VESTED**

If your death occurs before you become fully vested (that is, before you complete five years of service), *no* benefits will be paid to a beneficiary after your death.

## *Paying Taxes on Your Retirement Benefit*

**Payments from the  
Retirement Plan are  
taxable when you  
receive them.**

All payments from the Chemical Retirement Plan are taxable when you receive them.

- Annuity payments will be subject to applicable local, state, and federal income taxes.
- If you receive a single sum distribution, Chemical must withhold 20% of the benefit for federal income tax purposes. In addition, under federal law if you are under age 55 you also may be subject to an additional 10% penalty tax for early distribution. You may avoid the mandatory 20% withholding tax as well as any 10% penalty tax by having your distribution directly rolled over into another employer's qualified plan or an Individual Retirement Account (IRA).

Please note: Not all employers' qualified plans accept rollover contributions from defined benefit plans. Please be sure to check with your employer before arranging for a direct rollover.

Although Chemical will provide you with a summary of tax guidelines before you make your distribution elections, these guidelines are not intended as professional legal advice. You are encouraged to consult a qualified tax advisor before making your choice.

## *When Participation Ends*

Generally, you become ineligible to participate in the Retirement Plan if you:

- Change to part-time hourly status (i.e., regularly scheduled to work less than 20 hours per week);
- Transfer to an affiliated company that does not participate in the Retirement Plan;
- Leave Chemical for any reason other than a leave of absence; or
- Die.

## *A Word About Social Security*

**Two or three months before you retire, you'll need to apply for Social Security benefits at your local Social Security office.**

You'll receive an income from Social Security starting between ages 65 and 67, depending on your year of birth (your "Social Security retirement age") — or as early as age 62 in a reduced amount. Under current law, your spouse will also receive Social Security payments at his or her Social Security retirement age equal to half the payments you receive. Or, if your spouse is also employed, he or she may receive Social Security payments based on his or her own career. Chemical shares in the cost of providing your Social Security benefit by making contributions on your behalf.

**Important Note:** Social Security benefits are not automatically paid to you. To receive Social Security payments, you must apply for them at your local Social Security office two to three months before you wish payments to begin.

## *Other Important Information You Should Know*

### **PLAN AMENDMENT OR TERMINATION**

**Chemical reserves the right to amend, modify, merge, or terminate the Plan at any time.**

Chemical reserves the right to amend, modify, merge, or terminate the Plan at any time for any reason. If the Plan ends, payments from Plan assets will be made in an order prescribed by the Plan, in accordance with applicable law, providing benefits to the extent possible.

If the Plan is terminated in whole or in part, each staff member covered by the Plan who is affected by the termination or partial termination will become immediately vested in his or her right to receive a benefit at some future date — even if the staff member previously hadn't satisfied the age and service requirements necessary to receive a Plan benefit.

Under ERISA and the terms of the Plan, the Plan assets, after payment of all Plan expenses, will be used to provide the benefits to which Plan participants and beneficiaries are entitled. Only when all the liabilities to Plan participants and their beneficiaries have been satisfied will excess Plan assets revert to Chemical for its general use.

If, upon termination of the Plan, the assets of the Plan aren't sufficient to provide all benefits to Plan participants and their beneficiaries, these assets will be allocated to provide benefits in the order of priority established by law, and those benefits that cannot be provided will be forfeited.

### **LOSS OF BENEFITS**

**You should be aware of the various situations that can affect your benefits.**

You could lose or delay payment of your Cash Balance and Final Pay benefit under certain situations. Here's a short summary of some of these situations.

- If you leave Chemical before you have five years of service, you won't be eligible for a benefit from the Plan.
- If you have a break in service, you may lose the Final Pay and Cash Balance benefit you earned up to that time. Under certain circumstances, however, all your earlier service can be restored if you return to work at Chemical. (See "Breaks in Service" on page 23 for more information.)
- You could delay the start of your benefit payments if you don't complete and submit a correct application for a benefit.
- Your benefit could be delayed if Chemical doesn't have your — or your beneficiary's — current address. That's because benefit payments and information about the Plan are sent to the last known address on record. As a result, it's important that you or your beneficiary notify Chemical of any address change.

### **IF YOU BECOME DIVORCED OR SEPARATED**

Your benefit from the Plan may not be sold, assigned, transferred, pledged, or garnisheed under most circumstances. If you become divorced or legally separated, however, certain court orders could require part or all of your benefit to be paid to your spouse or children. This is known as a Qualified Domestic Relations Order (QDRO).

**QDRO.** A Qualified Domestic Relations Order, or QDRO, is generally a court order, judgment or decree that has been certified by the Plan Administrator and:

- Is made pursuant to a state's domestic relations law, including community property laws;
- Relates to the provision of child support, alimony payments or marital property rights; and
- Creates or recognizes an alternate payee's right to receive all or a portion of your benefit from the Plan.

Chemical is legally required to recognize QDROs. If you are a party in a divorce settlement or separation agreement that affects your interest in the Retirement Plan, you should have your attorney contact the Benefits Department in order to make certain that the appropriate documents are filed and the court order in question is actually a QDRO that complies with governing legislation.

**IF THE PLAN  
IS CONSIDERED  
"TOP-HEAVY"**

This Plan is considered "top-heavy" if 60% or more of the value of all benefits are payable to higher paid staff members, certain officers, or owners. In that case, other Plan provisions are designed to shift more benefit value to other Plan participants in a year when the Plan is considered top-heavy. You'll be notified if the Plan is considered top-heavy in any given year.

**BREAKS IN SERVICE**

*Rules retroactive*

If your employment with Chemical or one of its affiliates ends and you are later rehired as a staff member of Chemical or one of its affiliates, your time away is generally referred to as a "break in service." A break in service may affect credit you receive for service and/or your benefits from the Plan.

In determining the length of a break in service, the Plan uses these rules:

- A break in service begins on the date your employment with Chemical or an affiliate ends for any reason.
- If you are on a leave of absence and do not return within one year, your break in service starts on the first anniversary of your leave, or your termination date, if sooner.

*Consistent  
advisory*

- If you are on leave for military service, your break in service begins 16 weeks after the date your leave began. However, you are reinstated as of that date if you return to work after your military discharge within the time limits required by law.
- If you receive benefit payments from the Chemical Long-Term Disability (LTD) Plan, you do not have a break in service. In most instances, you continue to earn years of service and benefit service for as long as you qualify for benefits from the LTD Plan unless you elect to receive a benefit from the Retirement Plan.

If your break in service begins after you are vested, you do not forfeit any benefits. When you return to a participating company of Chemical, you will immediately begin to participate in the Plan and will be 100% vested in any benefits you earn after your return.

If your break in service begins before you are vested, you forfeit your benefits. However, both your Cash Balance and Final Pay benefits including your years of service and benefit service may be restored, according to these rules:

- If your break is less than 12 months, all service (including the period of your break) is counted toward years of service and benefit service. Forfeited benefits are restored in full.
- If your break is 12 months or more but less than five years, years of service and benefit service you had earned before the break are restored, following your rehire. The benefits you forfeited when your break in service began are also restored at this time.
- If your break is five years or more, your years of service will be restored when you return but no benefit service or forfeited benefits (the Cash Balance and Final Pay) will be restored.

Please Note: If you were employed by Manufacturers Hanover prior to January 1, 1983 and your break in service occurred before January 1, 1988, you will receive credit for all your prior vesting and benefit service one year after you return even if you were not vested when you left.

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**PBGC-INSURED PLAN**

**The Retirement Plan benefit is insured by the PBGC, a federal agency.**

The Retirement Plan — including both the Cash Balance benefit and the Final Pay benefit — is known as a “defined benefit” plan under federal law. This means the Plan uses a formula to determine the amount of the benefit you receive when you retire. It also means your benefit amount is insured by a federal government agency, the Pension Benefit Guaranty Corporation (PBGC), if the Plan ends. However, the PBGC does not guarantee all types of benefits, including benefits for which annuities have been purchased from insurance companies.

The Retirement Plan purchased annuity contracts from Connecticut General Life Insurance Company, the Prudential Insurance Company of America, Mutual of New York, and American General Insurance Company, to provide benefits for certain active participants, retirees, spouses, and certain terminated vested participants receiving or entitled to receive future benefit payments.

Chemical pays required insurance premiums to the PBGC. Generally, the PBGC guarantees most vested normal retirement benefits, early retirement benefits, and certain disability and survivors’ benefits. But again, the PBGC doesn’t guarantee all types of benefits under a plan, and the amount of benefit protection is subject to certain limits.

The PBGC guarantees vested benefits at the level in effect on the date of a plan termination. However, if a plan has been in effect fewer than five years before it terminates, or if benefits have been increased within the five years before plan termination, the whole amount of the plan’s vested benefit or the benefit increase may not be guaranteed. Also, there is a ceiling that is adjusted periodically on the amount of monthly benefit the PBGC guarantees.

For more information on PBGC insurance protection and its limitations, contact the PBGC Office of Communications: PBGC; 1200 K Street, NW; Washington, DC; 20005-4026; (202)326-4000.

**IRS LIMIT ON BENEFIT AMOUNTS**

The Internal Revenue Service (IRS) sets certain limits on the benefit amount that can be paid to you if you participate in this Plan. You’ll be notified if your benefit is affected.

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## *Claiming Benefits*

### **FOR INFORMATION ABOUT CLAIMS**

If you file a written claim and do not receive any notice or response within 30 days of when you submitted the claim, call the Retirement Unit of Corporate Human Resources (at the telephone number listed on the tab of this section) to make sure the claim was received.

### **IF A CLAIM IS DENIED**

If your claim is denied — either entirely or in part—you will receive a full, written explanation. This information will be provided within 90 days of when your written claim was first received.

You may appeal the denial of any claim by sending a written request for a review of the decision, along with any supporting documentation, within 60 days of the denial.

Requests for a review of claims under the Retirement Plan should be sent to the Retirement Unit of Corporate Human Resources at the address listed on the tab of this section.

If your claim is further denied, you may appeal the denial to Chemical's Plan Administrator. If the claim is still denied at this point, you may appeal the decision through the Employee Benefit Plans Committee.

For more information about how to appeal a claim, see page 4 in the *Your Rights* section of this guide.

**Refer to the *Your Rights* section of this guide for additional information.**

In the *Your Rights* section of this guide, we describe your appeals rights if benefits are denied to you, as well as your legal rights under the Employee Retirement Income Security Act of 1974 (ERISA). We urge you to read that section and refer to it in determining your rights.

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Participation in these Plans or in the benefits described in this guide does not create an expressed or implied contract of employment nor does it represent any guarantee of employment.

Chemical reserves the right to amend or terminate its Retirement Plan or curtail benefits thereunder at any time, including changing rules for participation, costs, and level and type of benefits, as well as duration.

This is a summary of the Plan documents. If there are any discrepancies between the summary and the Plan documents, the Plan documents will control.